Present:

Trust Board: Robert Stricker, Chairman; William Ferdinand, Joseph Pellegrino

BET Attendees: William Drake, Andreas Duus

Staff: Kathleen Murphy, OPEB Board Trustee; Nataliya Yemets, Assistant to the Treasurer

The meeting was called to order at 8:30 A.M.

1. **Acceptance of OPEB Meeting Minutes**

   Upon a motion by Mr. Pellegrino, seconded by Mr. Ferdinand, the Board voted 3-0 to accept the Minutes of the December 14, 2018 Meeting.

2. **Review the Investment Policy Statement and consider changes to permit investing in FDIC insured CDs and/or U.S. Treasuries and Agencies**

   Ms. Murphy advised the Board that she had been unable to execute the previous meeting's decision to invest in U.S. Treasury Bills until the Trust's Investment Policy Statement (IPS) is expanded to include these instruments in the "Cash or near-Term Investments" category and the Investment Advisory Committee and BET approved the revision to the IPS.

   Upon a motion by Mr. Ferdinand, seconded by Mr. Pellegrino, the Board voted 3-0 to approve including U.S. Treasury Bills, U.S. Government Agencies and FDIC insured Certificates of Deposit as part of the "Cash or Near-Term Investment" asset class listed in the OPEB's Investment Policy Statement.

3. **Review Performance of Trust as of the end of December 2018**

   Ms. Murphy commented on the Portfolio's December performance reporting that the Trust lost $1.4 million in December, generating -4.48% during the month and -4.65% fiscal year-to-date. The value of the Portfolio on December 31, 2018 was $28,139,469. Commenting on the previous month's rebalancing, Ms. Murphy noted that the proceeds of the sale of Delaware Healthcare Fund (DLHIX), approximately $208,000, was reinvested in SPY, reducing Portfolio's exposure to the healthcare sector and bringing it closer to the S&P 500 index weight. The Portfolio, 52.6% in equities, 46.0% in fixed income, and 1.3% in alternatives (Alerian), was in line with its target allocations and in compliance with the Investment Policy Statement (IPS).

   Ms. Yemets commented that all major equity indices, including international, posted negative returns for the month. S&P 500 lost -9.03% and MSCI All Country World ex US was down -7.60%. Fixed income was the only asset class that had positive performance in December with U.S. Aggregate Index returning 1.84%. Following up on the previous meeting's
A chart was distributed to compare yields of U.S. Treasuries, CT STIF, and Vanguard Federal Money Market (VMFXX). Ms. Yemets noted that Bloomberg monthly performance reports could incorporate Treasuries and CDs going forward, thus tracking performance of these new investments would not be an issue. Reviewing the portfolio performance, Ms. Yemets pointed out the underperformance of the domestic equities. The Board discussed sector allocations of the domestic equities plus Alerian MLP segment of the Trust Portfolio relative to the index.

4. **Discussion of market conditions and investment strategy, including asset allocations and sector weightings**

The Board’s discussion of market conditions ranged from the questioning whether an inverted yield curve was imminent; questioning if the worst of the bear market had already been experienced; the contrast between global quantitative easing continuing while US federal policy is projected to be slowing; the pressure of politics on international trade issues and domestic volatility; predictions of limited economic growth and the possibility of a recession in 2020; and the contribution of Algorithmic momentum trading to market swings. Seeing risk in the marketplace but expressing confidence that equities would generate higher returns than fixed income, noting the January rally and recovery from December losses, the Board proposed increasing equity holdings from 52.6% to 55.0% of the Portfolio.

Upon a motion by Mr. Ferdinand, seconded by Mr. Stricker, the Trust Board voted 2-1 (Opposed: Pellegrino) to sell sufficient amount of the Vanguard Federal Money Market Fund (VMFXX) and invest in SPDR S&P 500 ETF (SPY) so that total equity exposure of the OPEB Trust Portfolio is increased to 55.0%.

5. **Review options for replacing Oakmark International**

The Board reviewed potential international equity mutual funds as alternatives to replace Oakmark (OANIX) and decided not to take any action at this time.

6. **Discussion of topics for future meetings**

No new topics for future discussions

The Board expressed its gratitude to Ms. Murphy on her last OPEB meeting. They thanked her for her enthusiasm, dedication, care, character, joyfulness and mentoring skills and wished her well in future endeavors.

**Scheduled OPEB Board Meetings through December 2019 to be held at 8:30 A.M.**

February 12, 2019 (Tuesday)
March 12, 2019 (Tuesday) at 11:00 A.M.
April 9, 2019 (Tuesday)
May 14, 2019 (Tuesday)
June 11, 2019 (Tuesday)
July 10, 2019 (Wednesday)
August – no meeting
September 11, 2019 (Tuesday)
October 8, 2019 (Tuesday)
November 12, 2019 (Tuesday)
December 10, 2019 (Tuesday)

7. Adjournment

The Board voted unanimously to adjourn the meeting at 9:40 A.M.

Next OPEB meeting scheduled for February 12, 2019 at 8:30 A.M. in the Mazza Conference Room, 1st Floor.

Catherine Sidor, Recording Secretary

Robert Stricker, OPEB Trust Board Chairman

William Ferdinand